

# Subcommittee No. 1 on Education

Senator Jack Scott, Chair

## **Subcommittee Hearing Hand Outs**

Monday, March 7, 2005

47080

Admin Issue #1

Eliminate the State's  
Contribution to STRS  
Defined Benefit Program

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An act to amend Sections 22901, 22901.5, and 22955 of, and to add Sections 22950.1 and 22950.2 to, the Education Code, relating to state teachers' retirement.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 22901 of the Education Code is amended to read:

22901. ~~Each~~ (a) Except as provided in subdivision (b), each member of the Defined Benefit Program shall contribute to the retirement fund an amount equivalent to 8 percent of the member's creditable compensation.

(b) (1) A member who elects to withdraw from the Defined Benefit Supplement Program, pursuant to Section 22901.5, shall contribute to the retirement fund an amount equivalent to 6 percent of the member's creditable compensation.

(2) This subdivision shall remain operative only until January 1, 2011.

SEC. 2. Section 22901.5 of the Education Code is amended to read:

22901.5. (a) Notwithstanding Section 22905, 25 percent of the amount contributed by a member pursuant to Section 22901 (2 percent of creditable compensation) shall be credited to the member's Defined Benefit Supplement account pursuant to Section 25004.

(b) Any member contributions for service performed during the 2000-01 school year with a service period ending after December 31, 2000, shall be subject to subdivision (a).

(c) This section shall remain in effect only until January 1, 2011, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2011, deletes or extends that date.

(d) The member may elect, at any time, to withdraw from the Defined Benefit Supplement Program and terminate the 2 percent contribution to his or her individual



account and reduce his or her contribution to the retirement fund pursuant to Section 22901 by an equivalent amount.

SEC. 3. Section 22950.1 is added to the Education Code, to read:

22950.1. (a) In addition to any other contributions required by this part, employers shall contribute monthly to the State Teachers' Retirement Fund 2 percent of the creditable compensation upon which members' contributions under this part are based.

(b) This section shall remain in effect only until January 1, 2011, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2011, deletes or extends that date.

SEC. 4. Section 22950.2 is added to the Education Code, to read:

22950.2. (a) Notwithstanding Section 22950.1, each member of the Defined Benefit Program may assume payment of the additional contributions required to be paid by the employer pursuant to Section 22950.1, provided that an agreement to do so is reached through the collective bargaining process.

(b) This section shall remain in effect only until January 1, 2011, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2011, deletes or extends that date.

SEC. 5. Section 22955 of the Education Code, as added by Section 37 of Chapter 1021 of the Statutes of 2000, is amended to read:

~~22955. (a) Notwithstanding Section 13340 of the Government Code, commencing July 1, 2003, a continuous appropriation is hereby annually made from the General Fund to the Controller, pursuant to this section, for transfer to the~~

~~Teachers' Retirement Fund. The total amount of the appropriation for each year shall be equal to 2.017 percent of the total of the creditable compensation of the fiscal year ending in the immediately preceding calendar year upon which members' contributions are based, to be calculated annually on October 1, and shall be divided into four equal quarterly payments.~~

(b) Notwithstanding Section 13340 of the Government Code, commencing October 1, 2003, a continuous appropriation, ~~in addition to the appropriation made by subdivision (a);~~ is hereby annually made from the General Fund to the Controller for transfer to the Teachers' Retirement Fund. The total amount of the appropriation for each year shall be equal to 0.524 percent of the total of the creditable compensation of the fiscal year ending in the immediately preceding calendar year upon which members' contributions are based, to be calculated annually on October 1, and shall be divided into four equal quarterly payments. The percentage shall be adjusted to reflect the contribution required to fund the normal cost deficit or the unfunded obligation as determined by the board based upon a recommendation from its actuary. If a rate increase is required, the adjustment may be for no more than 0.25 percent per year and in no case may the transfer made pursuant to this subdivision exceed 1.505 percent of the total of the creditable compensation of the fiscal year ending in the immediately preceding calendar year upon which members' contributions are based. At any time when there is neither an unfunded obligation nor a normal cost deficit, the percentage shall be reduced to zero. The funds transferred pursuant to this subdivision shall first be applied to eliminating on or before June 30, 2027, the

unfunded actuarial liability of the fund identified in the actuarial valuation as of June 30, 1997.

~~(e)~~

(b) For the purposes of this section, the term "normal cost deficit" means the difference between the normal cost rate as determined in the actuarial valuation required by Section 22311 and the total of the member contribution rate required under Section 22901 and the employer contribution rate required under Section 22950, and shall exclude (1) the portion for unused sick leave service credit granted pursuant to Section 22717, and (2) the cost of benefit increases that occur after July 1, 1990. The contribution rates prescribed in Section 22901 and Section 22950 on July 1, 1990, shall be utilized to make the calculations. The normal cost deficit shall then be multiplied by the total of the creditable compensation upon which member contributions under this part are based to determine the dollar amount of the normal cost deficit for the year.

~~(d)~~

(c) Pursuant to Section 22001 and case law, members are entitled to a financially sound retirement system. It is the intent of the Legislature that this section shall provide the retirement fund stable and full funding over the long term.

~~(e)~~

(d) This section continues in effect but in a somewhat different form, fully performs, and does not in any way unreasonably impair, the contractual obligations determined by the court in California Teachers' Association v. Cory, 155 Cal.App.3d 494.

~~(f)~~

(e) Subdivision (b) shall not be construed to be applicable to any unfunded liability resulting from any benefit increase or change in contribution rate under this part that occurs after July 1, 1990.

~~(g)~~

(f) The provisions of this section shall be construed and implemented to be in conformity with the judicial intent expressed by the court in California Teachers' Association v. Cory, 155 Cal.App.3d 494.

~~(h) This section shall become operative on July 1, 2003, if the revenue limit cost-of-living adjustment computed by the Superintendent of Public Instruction for the 2001-02 fiscal year is equal to or greater than 3.5 percent. Otherwise this section shall become operative on July 1, 2004.~~

An act to amend Sections 2558.46, 37252.8, 37253, 41203.1, 44227, 42238.146, 52055.600, 52055.605, 52055.610, 52055.650, and 87482.6 of, and to repeal Section 32228.6 of, the Education Code, to amend Section 1529.2 of the Health and Safety Code, to amend Section 270 of the Public Utilities Code, and to amend Section 903.7 of the Welfare and Institutions Code, relating to education finance, making an appropriation therefore, and declaring the urgency thereof, to take effect immediately.





THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 2558.46 of the Education Code is amended to read:

2558.46. (a) (1) For the 2003–04 fiscal year, the revenue limit for each county superintendent of schools determined pursuant to this article shall be reduced by a 1.195 percent deficit factor.

(2) For the 2004–05 and ~~2005–06~~ fiscal ~~years~~ year, the revenue limit for each county superintendent of schools determined pursuant to this article shall be reduced by a 0.323 percent deficit factor.

(3) For the 2003–04, and 2004–05, ~~and 2005–06~~ fiscal years, the revenue limit for each county superintendent of schools determined pursuant to this article shall be further reduced by a 1.826 percent deficit factor.

(4) For the 2005–06 and 2006–07 fiscal years, the revenue limit for each county superintendent of schools determined pursuant to this article shall be further reduced by a 1.126 percent deficit factor.

(b) In computing the revenue limit for each county superintendent of schools for the ~~2006–07~~ 2007–08 fiscal year pursuant to this article, the revenue limit shall be determined as if the revenue limit for that county superintendent of schools had been determined for the 2003–04, 2004–05, ~~and 2005–06~~, and 2006–07 fiscal years without being reduced by the deficit factors specified in this section.

SEC. 2. Section 32228.6 of the Education Code is repealed.

~~32228.6. This article shall become inoperative on July 1, 2005, and, as of January 1, 2006, is repealed, unless a later enacted statute that is enacted before~~



(2) After the maximum amount authorized in any fiscal year has been transferred to the Chancellor of the California Community Colleges and the Superintendent of Public Instruction, the Controller shall transfer any remaining funds to the General Fund for expenditure for any public purpose.

(f) This section shall be operative until June 30, 2005, and thereafter is operative only if specified in the annual Budget Act or in another statute.

SEC. 17. The Superintendent of Public Instruction shall reduce funding for basic aid districts from the categorical education funds appropriated in Section 2.00 of the Budget Act of 2005 by a total of one million four hundred six thousand dollars (\$1,406,000). The reduction shall be calculated as follows:

(a) The Superintendent shall calculate a reduction for each district that was a basic aid district in the 2004-05 fiscal year that is proportionate to its revenue limit as determined at the second principal apportionment of the 2005-06 fiscal year that will achieve the amount of savings specified in this section.

(b) (1) On or before October 26, 2005, the Superintendent shall notify each district of the reduction amount calculated for that district pursuant to subdivision (a).

(2) On or before February 1, 2006, each district shall notify the Superintendent of the specific categorical education programs in which the reductions for that district shall be applied and the amount of the reduction for each program, provided that no reduction may be made to a program identified as requiring a maintenance of effort. The Superintendent shall withhold or recover the identified amount of funds as necessary.



(3) This section does not obligate the state to refund or repay reductions made pursuant to this section. A decision by a school district to reduce funding pursuant to this section for a state-mandated local program shall constitute a waiver of the subvention of funds that the school district is otherwise entitled to pursuant to Section 6 of Article XIII B of the California Constitution in the amount so reduced, and that decision shall be made only after the school district first considers reductions to voluntary categorical education programs.

(c) If a district does not receive property tax revenue sufficient to fully fund its revenue limit during the 2005-06 fiscal year, any reductions to that district's categorical education funding by this section shall be restored.

(d) No later than June 1, 2006, the Superintendent shall report to the Controller and the Director of Finance the amount to be reduced from each categorical education program and identify the corresponding item of appropriation in the Budget Act of 2005 to be reduced. The reductions shall equal the total amount to be reduced pursuant to this section. On June 15, 2006, the amounts appropriated by the Budget Act of 2005 in the items identified by the Superintendent are hereby reduced by the amounts reported by the Superintendent. The amounts so reduced shall revert to the General Fund. The reductions pursuant to this subdivision shall be reductions in the amount appropriated for purposes of Section 8 of Article XVI of the California Constitution for the 2005-06 fiscal year.

(e) For purposes of this section, "basic aid school district" means a school district that does not receive from the state, for any fiscal year in which the section is



applied, an apportionment of state funds pursuant to subdivision (h) of Section 42238 of the Education Code.

SEC. 18. Notwithstanding Sections 42238.1 and 42238.15 of the Education Code or any other law, the cost-of-living adjustment for Items 6110-104-0001, 6110-105-0001, 6110-156-0001, 6110-158-0001, 6110-161-0001, 6110-189-0001, 6110-190-0001, 6110-196-0001, 6110-232-0001, 6110-234-0001, 6110-244-0001, and 6110-246-0001 of Section 2.00 of the Budget Act of 2005, and those items identified in subdivision (b) of Section 12.40 of the Budget Act of 2005, shall be 3.93 percent. All funds appropriated in the items identified in this section are in lieu of the amounts that would otherwise be appropriated pursuant to any other law.

SEC. 19. Notwithstanding any other law, the funds appropriated pursuant to Items 6110-103-0001, 6110-104-0001, 6110-105-0001, 6110-156-0001, 6110-161-0001, 6110-190-0001, and 6110-211-0001 of Section 2.00 of the Budget Act of 2004 (Ch. 208, Stats. 2004) shall be available for expenditure through July 31, 2007, and after that date, all remaining unexpended funds in those items shall revert to the Proposition 98 Reversion Account

SEC. 20. Notwithstanding any other law, the funds appropriated pursuant to Items 6110-103-0001, 6110-104-0001, 6110-105-0001, 6110-156-0001, 6110-161-0001, 6110-190-0001, 6110-211-0001, and 6110-243-0001 of Section 2.00 of the Budget Act of 2005 (Ch. \_\_\_, Stats. 2005) shall be available for expenditure through July 31, 2008, and after that date, all remaining unexpended funds in those items shall revert to the Proposition 98 Reversion Account.



SEC. 21. (a) The sum of five hundred eighty-seven million four hundred seventy thousand dollars (\$587,470,000) is hereby appropriated from the General Fund in accordance with the following schedule:

(1) The following amounts are appropriated for expenditure during the 2006-07 fiscal year:

(A) The sum of six million two hundred fifteen thousand dollars (\$6,215,000) to the State Department of Education for apprenticeship programs to be expended consistent with the requirements specified in Item 6110-103-0001 of Section 2.00 of the Budget Act of 2005.

(B) The sum of sixty-three million two hundred seventy-one thousand dollars (\$63,271,000) to the State Department of Education for supplemental instruction to be expended consistent with the requirements specified in Item 6110-104-0001 of Section 2.00 of the Budget Act of 2005. Of the amount appropriated by this subparagraph, fifty million nine hundred sixty-four thousand dollars (\$50,964,000) shall be expended consistent with Schedule (1) of Item 6110-104-0001 of Section 2.00 of the Budget Act of 2005, and twelve million three hundred seven thousand dollars (\$12,307,000) shall be expended consistent with Schedule (2) of that item.

(C) The sum of thirty-nine million five hundred sixteen thousand dollars (\$39,516,000) to the State Department of Education for regional occupational centers and programs to be expended consistent with the requirements specified in Schedule (1) of Item 6110-105-0001 of Section 2.00 of the Budget Act of 2005.

(D) The sum of fifty-two million four hundred eight-four thousand dollars (\$52,484,000) to the State Department of Education for home-to-school



transportation to be expended consistent with the requirements specified in Schedule (1) of Item 6110-111-0001 of Section 2.00 of the Budget Act of 2005.

(E) The sum of four million two hundred eighty-six thousand dollars (\$4,286,000) to the State Department of Education for the Gifted and Talented Pupil Program to be expended consistent with the requirements specified in Item 6110-124-0001 of Section 2.00 of the Budget Act of 2005.

(F) The sum of forty-five million seven hundred sixty-three thousand dollars (\$45,763,000) to the State Department of Education for adult education to be expended consistent with the requirements specified in Schedule (1) of Item 6110-156-0001 of Section 2.00 of the Budget Act of 2005.

(G) The sum of four million seven hundred thirty-seven thousand dollars (\$4,737,000) to the State Department of Education for community day schools to be expended consistent with the requirements specified in Item 6110-190-0001 of Section 2.00 of the Budget Act of 2005.

(H) The sum of five million nine hundred forty-seven thousand dollars (\$5,947,000) to the State Department of Education for categorical block grants for charter schools to be expended consistent with the requirements specified in Item 6110-211-0001 of Section 2.00 of the Budget Act of 2005.

(I) The sum of thirty-eight million six hundred forty-six thousand dollars (\$38,646,000) to the State Department of Education for the School Safety Block Grant to be expended consistent with the requirements specified in Schedule (1) of Item 6110-228-0001 of Section 2.00 of the Budget Act of 2005.



(J) The sum of twenty-six million six hundred seventy-five thousand dollars (\$26,675,000) to the State Department of Education for the Pupil Retention Block Grant to be expended consistent with the requirements specified in Item 6110-243-0001 of Section 2.00 of the Budget Act of 2005.

(K) The sum of ninety-nine million nine hundred thirty thousand dollars (\$99,930,000) to the State Department of Education for Targeted Instructional Improvement Grant Program to be expended consistent with the requirements specified in Item 6110-246-0001 of Section 2.00 of the Budget Act of 2005.

(L) The sum of two hundred million dollars (\$200,000,000) to the Board of Governors of the California Community Colleges for apportionments, to be expended in accordance with the requirements specified for Schedule (1) of Item 6870-101-0001 of Section 2.00 of the Budget Act of 2005.

(b) For the purposes of making the computations required by Section 8 of Article XVI of the California Constitution, the appropriations made by subparagraphs (A) to (K), inclusive, of paragraph (1) of subdivision (a) shall be deemed to be "General Fund revenues appropriated for school districts," as defined in subdivision (c) of Section 41202 of the Education Code, for the 2006-07 fiscal year, and included within the "total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B," as defined in subdivision (e) of Section 41202 of the Education Code for the 2006-07 fiscal year.

(c) For the purposes of making the computations required by Section 8 of Article XVI of the California Constitution, the appropriation made by subparagraph (L) of paragraph (1) of subdivision (a) shall be deemed to be "General Fund revenues



appropriated for community college districts,” as defined in subdivision (d) of Section 41202 of the Education Code, for the 2006–07 fiscal year, and included within the “total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B,” as defined in subdivision (e) of Section 41202 of the Education Code, for the 2006-07 fiscal year.

SEC. 22. If the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.

SEC. 23. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to make the necessary statutory changes to implement the Budget Act of 2004 at the earliest time possible, it is necessary that this act take effect immediately.

